University Medical Center of Southern Nevada
Governing Board Audit and Finance Committee Meeting
*October 9, **2014***

UMC Conference Room I/J
Trauma Building, 5th Floor
800 Rose Street
Las Vegas, Clark County, Nevada
Thursday, October 9, 2014
3:00 p.m.

The University Medical Center Governing Board Audit and Finance Committee met in Conference Room I/J, UMC Trauma Building, 5th Floor, Las Vegas, Clark County, Nevada, on Thursday, October 9, 2014, at the hour of 3:00 p.m. The meeting was called to order at the hour of 3:07 p.m. by Chair Eileen Raney and the following members were present, which constituted a quorum of the members thereof:

CALL TO ORDER

Board Members:

Present:
Eileen Raney, Chair
Robyn Caspersen (non-voting member)
Jeff Ellis (by telephone)
Harry Hagerty
Donald Mackay

Absent:
Michael Saltman (Excused)

Others Present:
Stephanie Merrill, Chief Financial Officer
Mason VanHouweling, Chief Operating Officer
Lisa Logsdon, Deputy District Attorney
Cindy Dwyer, Board Secretary

SECTION 1. OPENING CEREMONIES

ITEM NO. 1 PUBLIC COMMENT

Chair Raney asked if there were any persons present in the audience wishing to be heard on any item on this agenda.

Speaker(s): None

ITEM NO. 2 Approval of minutes of the regular meeting of the UMC Governing Board Audit and Finance Committee meeting on September 11, 2014. [For possible action]

FINAL ACTION: A motion was made by Harry Hagerty that the minutes be approved as recommended. Motion carried by unanimous vote.

ITEM NO. 3 Approval of Agenda [For possible action]

DISCUSSION: None

FINAL ACTION: A motion was made by Harry Hagerty that the agenda be approved as recommended. Motion carried by unanimous vote.

SECTION 2. BUSINESS ITEMS

ITEM NO. 4 Review the results of the follow-up audit of the 340B Contracted Pharmacy Services internal audit; and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED: 340B Contracted Pharmacy Services Follow-up Audit

DISCUSSION: The Clark County Audit Department performed a follow-up audit of the 340B Contracted Pharmacy Services Audit dated February 21, 2013, focusing on the adequacy of corrective action taken. In the initial audit there were two findings. Of the two findings in the original report, one was corrected and one was not. Although controls were implemented to ensure that prescriptions are not erroneously paid for future non-UMC clinic patients, $708,399 of the $1,028,636 in prescription reversals identified in the initial audit were not completed at the time of the second audit. This was since resolved, and all reversals were completed by August 11, 2014. Ms. Gill stated that the Audit Department has tested the new internal controls initiated, and is satisfied that they are sufficient to ensure appropriate determination of 340B drug pricing. Their only issue was with the reversals, which have now been completed. For that reason, there will be no additional audit.

ACTION TAKEN: None.

ITEM NO. 5 Receive an update on the implementation of the recommendations of Innovative Healthcare Solutions related to the enterprise-wide IT systems; and direct staff accordingly. [For possible action]

DISCUSSION: Mason VanHouweling, Chief Operating Officer, reported that since the final report was received from Innovative Healthcare Solutions (IHS), a strategic committee has been created and is meeting bi-weekly to address the 222 recommendations included in the final report. There are 60 of high priority items that we have asked IHS to assist with, while the other 162 recommendations will be addressed internally.

IHS has provided a quote of $350,000, plus travel (as necessary), which includes a fixed price for the 60 priority items, including reports, training and physician order entry. The strategic committee is confident that with these items addressed, we will have a meaningful McKesson product. Pending approval of the contract, IHS plans to start in November, and finish by the end of January with all deliverables. Though the contract was not ready for presentation at today's meeting, the Committee directed staff to take the contract directly to the October 22, 2014 Governing Board for approval, once approved by legal counsel, so that the project can begin as soon as possible.

Mr. VanHouweling commented that though this was an unbudgeted expense, it should be budget neutral based on other organizational savings. There was discussion about travel expenses. As with all consultants, IHS will be required to submit receipts for travel, and staff was asked to consider negotiating a ceiling on travel expenses. The Chair also asked that staff clarify how McKesson is being reimbursed for travel at the next Committee meeting.

The Chair requested that the IHS consultants be advised to bring to the attention of the Administrative Team, any issues they feel are not being addressed appropriately at the steering committee level.

The remaining 162 issues will be addressed by the strategic and steering committees. Mr. VanHouweling will provide quarterly updates to the Audit and Finance Committee on the status of these remaining recommendations.

ACTION TAKEN: None.

ITEM NO. 6 Receive monthly financial report for July and August 2014; and direct staff accordingly. [For possible action]

DOCUMENTS SUBMITTED:
- Management Discussion and Analysis – August 2014

DISCUSSION:

Stephanie Merrill, Chief Financial Officer reviewed the Management Discussion and Analysis for August 2014. Year to date data reflected July's finances, so there was not a separate report for July.

There was a discussion about forecasting, and using that information instead of comparing actual to budget. It was the consensus of the Committee to use forecasting in future reports and discussions. Ms. Merrill acknowledged that staff is currently using forecasting, and will find a way to share that information with the Committee as well.

Chair Rainey asked that staff provide a slide that shows fixed vs. variable expenses for next month's meeting.

At Mr. Hagerty's request, Ms. Merrill and Mr. VanHouweling explained how the financial reports are being used to drive change within the organization. In addition to addressing productivity on a daily basis, they listed the many meetings held with division heads, managers and directors to perform operational reviews, review productivity and flexible budget reporting. Any significant variances are addressed immediately, outside the regularly scheduled meetings. They noted that in October, the reports will reflect the recent reduction in workforce, but acknowledged that we need to continue to look at opportunities to reduce expenses and increase revenue.

There was discussion about the need to better understand where revenue is decreasing, so that we know how to drive the top line with revenue that will actually generate positive cash flow. In discussions of the growing volume of Medicaid patients, with traditionally low reimbursement, Ms. Merrill explained that as long as UPL opportunities continue to be available, we can cover the cost of caring for the Medicaid population.

There was a discussion about subsidies being included in the net gain/deficit. It was the consensus of the Committee that operations be reported separately from subsidies, so that the Committee can better understand the true financial picture.

While supplies, purchased services and professional fees are being managed, opportunities still remain in salaries and benefits with respect to adjusting for patient volume. Mr. VanHouweling stated that productivity and overtime use are continually improving, as managers are held accountable, and hiring for critical areas is underway. The Admin Team continues to work with managers to determine what is driving their overtime, and what can be done to minimize, i.e., recruitment, retention, etc.

Harry Hagerty stated that it would be helpful to see the ratio of gross to net in each payer category, to better predict overall yield.

In conclusion, the Committee gave staff direction to include the following items in next month's financial report:

- Show fixed vs. variable analysis of costs (salaries & benefits, professional fees, supplies, and purchased services). Include Per Adjusted Patient Day, if possible.
- Provide financial forecast through fiscal year end.
- Determine how much cash would be necessary to make it to the end of the year, based on the forecast (not the monthly performance).

<u>ACTION TAKEN</u>: None.

ITEM NO. 7 Receive an update from the Chief Financial Officer; and direct staff accordingly. [For possible action]

<u>DISCUSSION:</u>

- The Board of Trustees approved a change to the resolution which would give the Governing Board authority to approve professional contracts up to $5 million. Though the change must be presented at two subsequent Board of Trustees meetings for public comment, the change is already in effect.

- Staff continues to work on the capital needs list, and will present it at the November Committee meeting.

- The County is currently engaged in the process of refinancing one of UMC's bond series, which will result in a savings of $500,000/year over the remaining five years. Harry Hagerty suggested that the County consider all options for refinancing, including the option to borrow more money, while paying the same amount of interest expense.

- UMC's request for Medicaid Managed Care enhanced payment is awaiting approval by CMS. In anticipation of that approval by year end, there is an agenda item going before the Board of Trustees on October 21st to approve a $15 million intergovernmental transfer (for a net $30 million), so that the funds are ready when the application is approved.

- Yolanda King, County Chief Financial Officer, reported that the hospital and County have decided not to pursue the BDR for dedicated funding opportunities for UMC. The two most recent suggestions of utilizing UPL matching funds to the fullest extent possible, and increasing Medicates rates for target services, will be pursued with the State, but are not legislative changes. County and UMC staff will negotiate with the Governor and State officials, but it will be a long process. Chair Raney voiced her concern that these issues are of high urgency.

ACTION TAKEN: None.

ITEM NO. 8 Receive an update report from the Chief Operating Officer on hospital operations; and direct staff accordingly. [For possible action]

DISCUSSION:

Mason VanHouweling, Chief Operating Officer, provided the following updates to the Committee:

- A new Physician Relations Manager has been hired and has been highly engaged in recruiting physicians back to UMC
- Staff has been successful in improving efficiencies in the Surgery Department, targeting outpatient elective procedures.
- Construction of Cath Lab 2 is completed; awaiting State inspection
- Labor and Delivery remodel underway, utilizing $1 million HRSA grant.
- Initiated productivity education for charge nurses house-wide
- Filled several crucial manager positions, including Director of Transplant
- New grad RN's recently completed training for Surgery Department; expecting six more in January
- Value Analysis Team is doing a great job
- Robotic Surgery Opportunity

ACTION TAKEN: No action taken.

ITEM NO. 9 Review and recommend for approval by the Governing Board Amendment One to Service Agreement for Interpretation and Translation Services between CyraCom International, Inc. and University Medical Center of Southern Nevada and authorize the Chief Executive Officer to exercise

future renewal options; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment One to Agreement between CyraCom International, Inc. and UMCSN
- Disclosure of Ownership

DISCUSSION: The availability of interpretation and translation services is mandated by the Joint Commission and the Title VI Civil Rights. Staff is requesting approval to exercise the first of three renewal options to extend through May 31, 2015, and to allow the CEO to approve future renewal options. The estimated fiscal impact is $195,000 during the one year renewal.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board to approve the Amendment. Motion carried by unanimous vote.

ITEM NO. 10 Review and recommend for approval to the Governing Board the Agreement for STAT Testing Services between Laboratory Corporation of America Holdings and University Medical Center of Southern Nevada and authorize the Chief Executive Officer to sign future amendments; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Agreement for STAT Testing Services between Laboratory Corporation of America Holdings and UMCSN
- Disclosure of Ownership

DISCUSSION: This contract term is for one year through October 21, 2015, with three one-year automatic renewals. The estimated minimum annual revenue to UMC is $78,000. The request includes the authority for the CEO to execute future amendments.

ACTION TAKEN: A motion was made by Harry Hagerty to approve and make a recommendation to the Governing Board to approve the Agreement. Motion carried by unanimous vote.

ITEM NO. 11 Review and recommend for approval by the Governing Board Amendment One to RFP No. 2009-05 Gift Shop Concession Agreement between Lori's Gifts, Inc. and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment One to RFP No. 2009-05 Gift Shop Concession Agreement between Lori's Gifts, Inc. and UMCSN
- Disclosure of Ownership

DISCUSSION: This amendment requests to exercise the renewal option through October 31, 2017, and reduce the monthly rent, based on revenue.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board to approve the Amendment. Motion carried by unanimous vote.

ITEM NO. 12 Review and recommend ratification by the Governing Board the Amendment One to Sublease Agreement between Nevada AIDS Research and Education Society (Lease - 701 Shadow Lane) and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Amendment No. 1 to Sublease Agreement Between NARES and UMCSN
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This Amendment term will be through June 30, 2018 to co-terminate with UMCSN's Lease in the same building. Rental of 1,208 square feet, results in $32,767 per year revenue for UMC. The Amendment includes a termination clause with a 30-day written notice.

ACTION TAKEN: A motion was made by Harry Hagerty to approve and make a recommendation to the Governing Board to ratify the Amendment. Motion carried by unanimous vote.

ITEM NO. 13 Review and recommend for approval by the Governing Board the Fourth Amendment to Hospital Services Agreement between Teachers Health Trust and University Medical Center of Southern Nevada; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Fourth Amendment Hospital Services Agreement Between Teachers Health Trust and UNSOM
- Disclosure of Ownership

DISCUSSION: This Amendment extends the original term for two years, ending December 31, 2016, and reflects a change in rates, based on recent negotiations. Either party may terminate with a 60-day notice. Rose Coker, Director of Managed Care, noted that the new rates will cover costs and allow a small margin of profit.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board to approve the Agreement. Motion carried by unanimous vote.

ITEM NO. 14 Review and recommend ratification by the Governing Board of the Asset Purchase Agreement and Amendment One between Walgreens and University Medical Center of Southern Nevada for Lied and Outpatient Pharmacy prescriptions; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:

- Asset Purchasing Agreement between Walgreens and UMCSN
- Asset Purchasing Agreement Amendment between Walgreens and UMCSN
- Disclosure of Ownership
- Disclosure of Relationship

DISCUSSION: This request is for ratification of an Amendment to allow Lied Clinic Pharmacy and Outpatient Pharmacy prescriptions to be transferred to Walgreens, to ensure continuity of patient care. Meddie Nazifi, Director of Pharmacy, explained the details of the arrangement with Walgreens. He explained that we did not go out to RFP, due to the fact that Walgreens is the only pharmacy accredited for 340B drug pricing.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board to approve the ratification of the Amendment. Motion carried by unanimous vote.

ITEM NO. 15 Review and recommend ratification by the Governing Board the agreement for Percutaneous Coronary Intervention Products to Boston Scientific Corporation; and take action as deemed appropriate. [For possible action]

DOCUMENTS SUBMITTED:
- Percutaneous Coronary Intervention Products Agreement
- Disclosure of Ownership
- Disclosure of Principles

DISCUSSION: This is a consignment agreement; UMC pays for the products actually used. The Materials Departments estimates the cost to be $490,000 per year, based on last year's use. Because usage depends on patient and physician need, this contract has the potential to go over the CEO's signature authority, so the Agreement is being brought before the Board. In response to committee questions, Mr. Listed noted that this vendor has a history of replacing wasted or dropped products at no cost to UMC.

ACTION TAKEN: A motion was made by Donald Mackay to approve and make a recommendation to the Governing Board and Board of Trustees to approve the Agreement. Motion carried by unanimous vote.

ITEM NO. 16 Identify financial issues that have the potential to impact the hospital strategic plan; and take action as deemed appropriate. [For possible action]

ITEM NO. 17 Identify emerging issues to be addressed by staff or by the Audit and Finance Committee at future meetings; and direct staff accordingly. [For possible action]

The following issues were identified for future Committee agenda items:
- IHS/McKesson Implementation Monthly Update
- Monthly Financial Reports
  - o Forecasting
  - o fixed vs variable costs

- Medicaid and Related Initiatives, i.e., UPL, 1115 Waiver
- Capital Needs List
- Bond re-funding
- Robotic Surgery business case and ROI

COMMENTS BY THE GENERAL PUBLIC:

At this time, Chair Raney asked if there were any persons present in the audience wishing to be heard on any items not listed on the posted agenda.

SPEAKERS(S): None

There being no further business to come before the Committee at this time, at the hour of 5:17 p.m., Chair Raney adjourned the meeting.

APPROVED:

Eileen H Raney

Eileen Raney, Committee Chair

ATTEST:

Cindy Dwyer

Cindy Dwyer, Board Secretary